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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ July 16, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch – County Clerks of District Courts, a part of the State of Iowa, for the year ended June 30, 2003.

The Judicial Branch provides court services through the County Clerks of District Courts in each of Iowa's 99 counties. The County Clerks of District Courts are responsible for providing, managing and maintaining document processing activities of civil, probate, criminal, juvenile, traffic, child support and small claims for the courts. They also collect, deposit, disburse and account for all fees and other monies paid to the County Clerks of District Court offices.

Vaudt made recommendations to improve segregation of duties in the various County Clerks of District Court offices and strengthen controls over cash receipts, cash disbursements and financial reporting. Vaudt also made recommendations to improve various aspects of the Iowa Court Information System. Judicial Branch officials responded to each item in the report and stated corrective action is being taken.

A copy of the report is available for review in the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA JUDICIAL BRANCH – COUNTY CLERKS OF DISTRICT
COURTS**

JUNE 30, 2003

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State



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May 28, 2004

To the Iowa Judicial Branch:

The Iowa Judicial Branch – County Clerks of District Courts is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2003.

In conducting our audits, we became aware of certain aspects concerning the Iowa Judicial Branch – County Clerks of District Courts' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of the recommendations which pertain to the Iowa Judicial Branch – County Clerks of District Courts' internal control, compliance with statutory requirements and other matters. The recommendations have been discussed with Iowa Judicial Branch personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Branch, citizens of the State of Iowa and other parties to whom the Iowa Judicial Branch may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Judicial Branch – County Clerks of District Courts during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Iowa Judicial Branch are listed on page 11 and they are available to discuss these matters with you.

A handwritten signature in dark ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in dark ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

Findings Reported in the State's Single Audit:

No matters were noted.

Findings Related to Internal Control:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County Clerks of District Courts' financial statements.

The following procedures or compensating controls have not been implemented in certain County Clerk of District Court offices:

- (1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.
- (2) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for disbursements.
- (3) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. As a compensating control, bank reconciliations could be reviewed monthly by an independent person for propriety. The independent review should be evidenced by the reviewer's initials or signature and the date of the review.
- (4) Checks are not signed by an individual who does not record cash receipts, approve disbursements or otherwise participate in the preparation of checks. Prior to signing, the checks and supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to the individual who prepared the checks or approved the disbursements.
- (5) Receipts are not posted to ICIS by an individual not responsible for setting up the case on the system.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each County Clerk of District Court should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews would be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

Response – We will continue to work with the Clerk's offices and the State Auditor's office to establish and maintain adequate internal control.

Conclusion – Response accepted.

- (B) Cash Receipts and Deposit – In two County Clerk of District Court Offices, the person preparing deposits does not reconcile the cash receipt register totals for cash and checks with actual amounts for cash and checks on the deposit.

Recommendation – The person preparing deposits should reconcile the cash receipt register totals for cash and checks with actual amounts for cash and checks on the deposit to ensure there are no incorrect entries on the cash receipts register or deposit slip.

Response – The two counties receiving this comment are reconciling their deposit with their cash and check register receipts.

Conclusion – Response accepted.

- (C) Manual Receipts – Manual receipts should be used when the ICIS system is down and should be recorded on ICIS at the time the ICIS receipt is prepared. The Judicial Branch Accounting Procedures Manual, Procedure #190.400, identifies the procedure/controls that should be followed when issuing and processing manual receipts. The following items relating to manual receipts were noted in certain County Clerk of District Court Offices:

- (1) The numerical sequence of manual receipts was not accounted for.
- (2) The ICIS receipt number should be written on the manual receipt to indicate posting to ICIS. Certain manual receipts did not include this documentation. Also, the initials of the employee who posted the receipt to ICIS were omitted in some instances.
- (3) There was no evidence of independent review to ensure all manual receipts were posted to ICIS.
- (4) A significant number of manual receipts were used in situations other than when the ICIS system was down.
- (5) Manual receipts were not always posted to ICIS timely.
- (6) In one County Clerk of District Court Office, manual receipts could not be located for the year ended June 30, 2003.

Recommendation – The County Clerks of District Courts should limit use of manual receipts to only those times during which the ICIS system is down and should follow Judicial Branch Accounting Procedures and proper internal controls when processing manual receipts.

Response – We will continue to work with the Clerks' offices to better ensure the appropriate use of manual receipts in all counties.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

- (D) Timely Deposits – Receipts are deposited intact, but not always daily.

Recommendation – Procedure #190.400 of the Judicial Branch Accounting Procedures Manual requires receipts to be deposited at the close of each business day, or no later than the morning of the next working day. Deposits at certain County Clerks of District Court were not made daily as required.

Response – We will work with the counties noted to ensure deposits are made timely in the future.

Conclusion – Response accepted.

- (E) Juvenile Court Services – The Juvenile Court Service (JCS) Offices located throughout the State collect court ordered and non-court ordered fees from juveniles. In three of these JCS offices, the non-court ordered collections are not recorded on ICIS.

Recommendation – All collections received by the JCS Offices should be recorded on ICIS.

Response – As of October 2003, all collections received by the JCS office are recorded on ICIS.

Conclusion – Response accepted.

- (F) Court Ordered Trusts – In one County Clerk of District Court office, approximately \$82,000 of interest earned on certain court ordered trusts was not posted to ICIS.

Recommendation – All interest earned on court ordered investments should be posted to ICIS as a miscellaneous trust in accordance with Judicial Branch Accounting Procedures Manual, Procedure #130.400.

Response – We will work with Iowa County to ensure interest on trusts is posted to ICIS.

Conclusion – Response accepted.

- (G) Bank Account Signature Card – In three County Clerk of District Court Offices, certain individuals who retired or whose employment was terminated were still listed as authorized signers on bank accounts.

Recommendation – The County Clerks of District Court should update bank signature cards to remove individuals who are no longer employed in their offices.

Response – The three counties involved have updated their bank signature cards.

Conclusion – Response accepted.

- (H) Case Delete Program – The County Clerks of District Courts' employees have access to the ICIS case delete program. The program deletes all information except the case number. This deleted information cannot be retrieved. Accounting Procedure #190.605 recommends that the authority to delete a case should be limited to one or two persons in small offices and two or three persons in larger offices, requests to delete a case should be in writing and signed by the person deleting the case, and the case delete log should be

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

maintained and reviewed by the Clerk. Documentation of the deleted information is not always maintained, numerous staff have access to the program and there is no evidence of review and approval of a deleted case at a number of locations.

Recommendation – The Iowa Judicial Branch should work with the County Clerks of District Court to ensure access is limited and deletions are properly documented in accordance with established procedures.

Response – The IT staff are in the process of verifying on a county-by-county basis access to the Case Delete screen in ICIS1. Each Clerk is being notified and appropriate access is being granted or removed.

Conclusion – Response accepted.

- (I) Monthly Reconciliations – Bank reconciliations were not prepared by one County Clerk of District Court for six months of the fiscal year and outstanding check lists were not printed at the end of each of the six months.

Recommendation – In accordance with Procedures #190.400 and #190.800 of the Judicial Branch Accounting Procedures Manual, bank reconciliations should be prepared at the end of each month. Outstanding check lists should also be printed monthly and retained.

Response – We continue to work with Franklin County to improve their office procedures.

Conclusion – Response accepted.

- (J) Disaster Recovery Plan – The primary work area for each County Clerk of District Court is at the county courthouse and, therefore, they are subject to disaster recovery policies that may be established by County Boards of Supervisors. A number of Clerks have not prepared disaster recovery plans that address areas they are responsible for, such as the identification of staff responsibilities, establishment of a predetermined priority for processing, record recovery or restoration, and making provisions for the use of manual procedures, if necessary. In addition, for those clerks that have developed a plan, in many cases, the plan still needs improvement in one or more areas.

Recommendation – The Iowa Judicial Branch should provide guidance to Clerks of District Courts to aid in the development and implementation of a comprehensive disaster recovery plan that encompasses duties and responsibilities of each Clerk.

Response – The district court administrators' offices are working with their clerks to development and implement comprehensive disaster recovery plans.

Conclusion – Response accepted.

- (K) Case File Information Changes – In all County Clerks of District Court offices, employees can change or zero out amounts due on a case file. Late in fiscal 2003, the Iowa Judicial Branch developed a report, Zeroed Transactions in Production, that automatically identifies all changes made to amounts due on cases. Before a change can be posted, the ICIS system requires an explanation of the change be added to the change screen. The Zeroed Transactions in Production report can be printed at any time and includes all changes made and explanations for each change.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

In addition, Clerk of Court employees in each County Clerk of District Court Office can reverse receipts from one category and re-enter the receipt in a different category to disburse the funds. The ICIS system does not ensure that the receipt is re-entered.

Recommendation – The Iowa Judicial Branch should develop procedures and work with the Clerks to ensure all changes to case file amounts are properly documented and reviewed for appropriateness. The Zeroed Transactions in Production report should be printed and reviewed by each clerk at least monthly. In small offices, these reports should be reviewed periodically by someone in the State Court Administration Office. The reports should be retained in accordance with Policy #190.710 of the Judicial Branch Accounting Procedures Manual.

In addition the Iowa Judicial Branch should ensure receipts reversed out of the system are re-entered.

Response – We will continue to develop and implement procedures to properly handle case file information changes.

Conclusion – Response accepted.

(L) Iowa Court Information System – We performed a review of certain financial information recorded by County Clerks of District Courts in the Iowa Court Information System (ICIS) and the controls over ICIS and noted the following:

(1) User Account Deletions – The County Clerks of District Court are required to submit a deregistration form to the ICIS help desk when an employee departs so a call ticket is created to remove their user ID.

The user accounts of ten former employees were tested with the following results:

- One terminated employee still had an active user account that had not been locked or removed.
- Six terminated employees did not have their access revoked for more than three weeks.

We also noted a periodic review of user accounts is not performed to help identify potential unauthorized users.

Recommendation – The ICIS Division should develop procedures to promptly notify the help desk when employees depart. Also, a periodic review of all user accounts should be performed to help identify potential unauthorized users.

Response – The ICIS Division already has a process in place for Helpdesk notification; specifically that Clerks, Court Administration or any other supervisors are to notify the Helpdesk via a deregistration form that an employee is leaving or has left.

Conclusion – Response acknowledged. ICIS should re-evaluate procedures to help ensure timely notification of employee termination and access revocation. Additionally, a periodic review would help to identify potential unauthorized users or terminated employees.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

- (2) System Access – Most County Clerks of District Courts submit a registration form to the ICIS help desk to set up a new user account or make changes to a user's access rights. This procedure helps to ensure access to the ICIS system is properly authorized and documented.

Certain County Clerks of District Court are allowed to change a user's access rights for staff within their office without using the ICIS help desk.

Recommendation – The ICIS Division should strengthen procedures to ensure all user access rights are properly authorized and adequately documented.

Response – This access has been revoked from Clerks and requests for access changes are required via the Helpdesk Registration/Deregistration/Change request process.

ICIS2 views do not allow the Clerk access to this portion of the system.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Settlement of Accounts – Certain fines, fees and surcharges were not remitted to the State of Iowa and to counties and cities monthly as required by Chapters 602.8108 and 602.8109 of the Code of Iowa.

Recommendation – All remittances should be made to the State of Iowa, cities and counties monthly as required by the Code of Iowa.

Response – With the major reduction in staff, it has become more difficult to submit the monthly report by the 15th. We will continue to work with the clerks to ensure the monthly reports are submitted in a timely manner.

Conclusion – Response accepted.

- (2) Official Depositories

- (a) The maximum amounts stated in certain resolutions were exceeded during the year ended June 30, 2003.
- (b) The official name changed for certain depositories, but the required depository resolution change form was not properly filed to reflect the name changes at three County Clerk of District Court offices.
- (c) For three County Clerk of District Court offices, the required depository resolution change form was properly filed with the District Court Administrator, but a new resolution has not been approved by the Court.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

Recommendation

- (a) A new depository resolution should be filed in amounts sufficient to cover anticipated deposits.
- (b) A depository resolution change form should be filed with the District Court Administrator in accordance with the Judicial Branch Accounting Procedures Manual, Procedure #130.250, when a depository changes names.
- (c) The District Court Administrator should request the State Court Administrator petition the court for a new resolution as required.

Response – We will work to improve the processing of official depositories.

Conclusion – Response accepted.

- (3) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County Clerks of District Court to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. Certain County Clerks of District Court retain cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation – The County Clerks of District Courts should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will work with the clerks to ensure the proper procedures are followed.

Conclusion – Response accepted.

- (4) Old Outstanding Trusts and Bonds – Chapter 556.11 of the Code of Iowa requires each Clerk of Court to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the State Treasurer's Office annually. Certain County Clerks of District Courts did not remit these obligations as required.

Recommendation – The outstanding checks, trusts, and bonds lists should be reviewed annually and amounts over two years old should be remitted to the State Treasurer's Office as required.

Response – We will review the procedures with the clerks to ensure annual reports are remitted to the State Treasurer's Office as required.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Marlys K. Gaston, CPA, Manager
Ernest Ruben, CPA, Senior Auditor II
Pamela L. Brandenburg, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Kay F. Dunn, CPA, Manager
Joe T. Marturello, CIA, Manager
Michelle B. Meyer, CPA, Manager
Steven M. Nottger, CPA, Manager
K. David Voy, CPA, Manager
Ron Swanson, CPA, Manager

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2003

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the counties that the specific items relate to (designated by an "X"). Since comment and recommendations (K) and (L) apply to all County Clerk of District Court offices, they are not included on the Matrix.

County Name	County Number	Internal Control Finding									
		A(1)	A(2)	A(3)	A(4)	A(5)	B	C(1)	C(2)	C(3)	C(4)
Adair	1	X	X	X	X	X					
Adams	2	X	X	X	X	X					
Allamakee	3										
Appanoose	4	X	X	X	X	X	X				
Audubon	5	X	X	X	X	X					
Benton	6										
Black Hawk	7										
Boone	8		X	X		X			X		X
Bremer	9								X	X	
Buchanan	10										
Buena Vista	11										
Butler	12		X	X	X	X					
Calhoun	13	X	X	X	X	X					
Carroll	14					X					
Cass	15		X	X	X	X					
Cedar	16										
Cerro Gordo	17										
Cherokee	18										
Chickasaw	19		X		X						
Clarke	20		X			X		X	X	X	X
Clay	21										
Clayton	22										
Clinton	23		X	X	X	X					
Crawford	24										
Dallas	25										
Davis	26	X	X	X	X	X					
Decatur	27		X	X	X	X					
Delaware	28										
Des Moines	29			X					X	X	
Dickinson	30					X					
Dubuque	31										
Emmet	32	X				X					X
Fayette	33	X			X						
Floyd	34										
Franklin	35	X	X	X		X					
Fremont	36		X		X	X					

13

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2003

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County Name	County Number	Internal Control Finding									
		A(1)	A(2)	A(3)	A(4)	A(5)	B	C(1)	C(2)	C(3)	C(4)
Greene	37					X					
Grundy	38		X		X						
Guthrie	39		X		X	X					
Hamilton	40								X	X	
Hancock	41	X	X	X	X	X				X	
Hardin	42	X				X					
Harrison	43	X		X	X	X					
Henry	44		X	X	X	X					
Howard	45	X	X	X		X			X	X	
Humboldt	46					X					
Ida	47	X	X	X	X	X					
Iowa	48	X									
Jackson	49	X	X	X	X	X			X	X	
Jasper	50										
Jefferson	51		X			X				X	
Johnson	52								X	X	
Jones	53										
Keokuk	54			X							
Kossuth	55										
Lee	56	X		X	X	X					X
Linn	57										
Louisa	58	X								X	
Lucas	59	X	X	X	X	X			X	X	
Lyon	60		X		X	X			X	X	X
Madison	61					X					
Mahaska	62			X							
Marion	63			X					X	X	
Marshall	64							X	X	X	X
Mills	65	X			X	X					
Mitchell	66	X	X	X	X	X	X				
Monona	67										
Monroe	68	X	X	X	X	X					
Montgomery	69				X	X					
Muscatine	70	X				X					
O'Brien	71	X		X		X					
Osceola	72		X						X	X	

									Statutory Finding					
C(5)	C(6)	D	E	F	G	H	I	J	1	2(a)	2(b)	2(c)	3	4
								X			X			
														X
						X			X					
X						X						X		
								X						
														X
	X				X				X					X
		X												
								X						
				X				X						
X								X						
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								X						
X														
								X						
						X		X						
								X						X
X								X						X
X														
						X		X						
						X								X
								X						
										X				

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2003

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the counties that the specific items relate to (designated by an "X"). Since comment and recommendations (K) and (L) apply to all County Clerk of District Court offices, they are not included on the Matrix.

County Name	County Number	Internal Control Finding									
		A(1)	A(2)	A(3)	A(4)	A(5)	B	C(1)	C(2)	C(3)	C(4)
Page	73	X	X	X		X					
Palo Alto	74	X	X		X	X					
Plymouth	75										
Pocahontas	76	X	X		X	X					
Polk	77								X	X	X
Pottawattamie	78										
Poweshiek	79		X	X	X						
Ringgold	80	X	X	X	X	X				X	
Sac	81					X					
Scott	82										
Shelby	83		X		X	X					
Sioux	84				X						
Story	85										
Tama	86										
Taylor	87	X	X	X	X	X					
Union	88	X	X	X	X					X	X
Van Buren	89	X	X	X		X					X
Wapello	90									X	X
Warren	91		X		X	X			X	X	
Washington	92										
Wayne	93	X	X	X	X				X	X	
Webster	94										
Winnebago	95					X					
Winneshiek	96	X	X		X						
Woodbury	97					X					
Worth	98	X	X	X	X	X					
Wright	99	X	X	X	X	X					

										Statutory Finding					
C(5)	C(6)	D	E	F	G	H	I	J		1	2(a)	2(b)	2(c)	3	4
														X	X
					X			X		X					X
												X	X		
															X
					X									X	
								X						X	
		X						X					X	X	
										X					
X											X				
										X					X
										X					
						X									